

Message Text

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EXDIS

E.O. 11652: GDS
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SUBJ: A MORE AGGRESSIVE OTTAWA STRATEGY
TOWARDS QUEBEC?

1. SUMMARY. TRUDEAU OPTED IN NOVEMBER OF AN ESSENTIALLY PASSIVE STRATEGY OF TRYING TO SET UP THE PQ TO DEFEAT ITSELF. BUT THERE ARE SIGNS HE IS AGAIN LOOKING FOR WAYS TO PUT LEVESQUE ON THE DEFENSIVE. REVERSING FIELD ON HIS CENTRALIST CONCEPT OF FEDERALISM IS ONE POSSIBILITY UNDER CONSIDERATION. ANOTHER MAY BE ENCOURAGEMENT OF KEY INVESTORS TO PULL OUT OF QUEBEC. END SUMMARY.

2. OTTAWA'S CURRENT STRATEGY TOWARDS QUEBEC IS TO AVOID DIRECT ACTION AGAINST THE PQ GOVERNMENT; TRY TO MAKE THE CASE THAT FEDERALISM WORKS; AND HOPE THAT THE PQ WILL EVENTUALLY BEAT ITSELF THROUGH ECONOMIC FAILURE AND/OR INTERNAL DIVISIVENESS.

3. OTTAWA CAN ALREADY POINT TO SOME MODEST SUCCESS. TRUDEAU'S NOVEMBER 24 APPEAL TO NATIONAL UNITY STRUCK RESPONSIVE CHORD ACROSS ENGLISH (IF NOT FRENCH) CANADA;
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TRUDEAU'S STANDING IN THE POLLS IS RISING SLOWLY; AND THE DECEMBER 13 FEDERAL/PROVINCIAL AGREEMENT ON FINANCES ENABLES THE FEDS TO MAKE CASE THAT "THE SYSTEM WORKS."

4. THE DIFFICULTY IN OTTAWA'S STRATEGY, OF COURSE, IS THAT THERE IS NO ASSURANCE THE PQ WILL BEAT ITSELF. WITHIN

THE PROVINCE, OPPOSITION TO THE PQ IS DIVIDED BETWEEN TWO COMPETING FEDERALIST PARTIES, ONE OF WHICH (THE LIBERALS) IS SHATTERED IN MORALE, AND UNLIKELY TO BE ABLE TO CHOOSE LEADER OR POLITICAL LINE FOR AT LEAST ONE YEAR. ALTHOUGH THE PQ VICTORY AND LEVESQUE'S SUBSEQUENT STATEMENTS ARE SCARING OFF QUEBEC, CANADIAN AND FOREIGN INVESTMENT, THERE IS NO ASSURANCE THAT RESULTING WORSENING ECONOMIC SITUATION WILL HURT THE PQ. MANY IN OTTAWA FEAR THAT THE PQ WILL BE ABLE TO ARGUE THAT THE INVESTMENT DRY-UP IS ONLY ANOTHER DEMONSTRATION OF QUEBEC'S "COLONIAL STATUS", THUS STRENGTHENING, NO WEAKENING, THE DRIVE FOR INDEPENDENCE.

5. GIVEN THOSE UNCERTAINTIES, A NUMBER OF TRUDEAU'S ADVISERS PUSHED IN NOVEMBER FOR A MORE AGGRESSIVE STRATEGY. MARC LALONDE, LEADER OF THE QUEBEC LIBERAL CAUCUS AND MINISTER OF HEALTH, APPEARS TO HAVE BEEN IN THE LEAD. LALONDE ADVOCATED A PREEMPTIVE REFERENDUM HELD BY THE FEDERAL GOVERNMENT THROUGHOUT CANADA, TO TAKE ADVANTAGE OF THE LOW CURRENT SUPPORT FOR SEPARATION AND TO TRY TO LAY THE ISSUE TO REST. LALONDE'S PROPOSAL WAS SET ASIDE ON THE GROUND THAT IT WOULD TEND TO LEGITIMIZE THE USE OF REFERENDUM AS INSTRUMENT OF DECISION AND MIGHT RESULT IN LARGE PROTEST VOTE BY NON-PQ QUEBECERS WHO FELT THEY WERE BEING LEANED ON. LALONDE TELLS ME, HOWEVER, THAT HE HAS NOT ABANDONED THE IDEA AND THAT THE FEDERAL GOVERNMENT MIGHT USEFULLY RETURN TO IT AT LATER POINT WHEN THE PQ HAS LOST SOME OF ITS CURRENT MOMENTUM.

6. ALSO IN NOVEMBER SOME GOVERNMENT MEMBERS (TRUDEAU)
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MAY HAVE BEEN AMONG THEM) FLIRTED BRIEFLY WITH THE IDEA OF TRYING TO BRING THE QUEBEC ISSUE TO A HEAD BY ENCOURAGING (OR AT LEAST NOT DISCOURAGING) INVESTORS TO PULL BACK. THE PQ, HOWEVER, COULD HAVE TURNED THAT TACTIC AROUND BY CHARGING THAT THE FEDERAL GOVERNMENT, ENGLISH CANADA AND THE AMERICANS WERE WAGING ECONOMIC WARFARE AGAINST QUEBEC. CABINET MEMBERS SAY THEY ARE NOW URGING INVESTORS TO HANG IN THERE, CARRY ON THEIR NORMAL OPERATIONS, AND MAKE SUCH DEALS WITH THE LEVESQUE GOVERNMENT AS THEY THINK ARE ECONOMICALLY JUSTIFIED. TRUDEAU'S CHIEF POLITICAL ADVISOR COUTTS CONFIRMED TO ME THAT THIS IS THE LINE DECEMBER 15.

7. THE THIRD STRATEGY OPTION IS TO TRY TO PREEMPT SEPARATISM BY PROPOSING NEW, MORE DECENTRALIZED CANADIAN FEDERATION. IT WAS FORCEFULLY ADVOCATED IN NOVEMBER BY OPPOSITION LEADER CLARK, TRUDEAU RIVAL JOHN TURNER, AND THE NATIONALIST TORONTO STAR. TRUE TO HIS

CENTRALISTIC CONCEPTION OF FEDERALISM, TRUDEAU EQUALLY STRONGLY RESISTED IT, AND THERE HAS BEEN ALMOST NO VOICE WITHIN THE GOVERNMENT OR LIBERAL CAUCUS ADVOCATING DEVOLUTION.

8. IT NOW APPEARS THAT THE GOVERNMENT MAY BE RECONSIDERING ITS REJECTION OF THE DECENTRALIZATION STRATEGY. TRUDEAU'S CHIEF ADVISOR ON FEDERAL/PROVINCIAL RELATIONS, GORDON ROBERTSON, TOLD ME DECEMBER 20 THAT HE HAD RECEIVED MANDATE TO DEVELOP A PACKAGE OF ALTERNATIVE FEDERAL ARRANGEMENTS, WHICH TRUDEAU MIGHT PUT FORWARD SOMETIME IN THE NEW YEAR. PACKAGE WOULD HAVE TO BE VERY CAREFULLY DESIGNED TO AVOID "MAKING CANADA INOPERATIVE", BUT ROBERTSON BELIEVES SUBSTANTIAL AND CREDIBLE PROGRAM CAN BE PUT TOGETHER TO COVER THE RANGE OF CURRENT FEDERAL/PROVINCIAL ISSUES: RESOURCES, EDUCATION. IMMIGRATION, CABLE TELEVISION, CULTURAL AFFAIRS, ETC. EFFORT WOULD BE SEPARATE FROM CONSTITUTION PATRIOTISM ISSUE. ON THAT ISSUE TRUDEAU WILL PUT FORWARD ANOTHER
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PROPOSAL NEXT YEAR, BUT ONLY TO KEEP CREDIBILITY, NOT WITH ANY HOPE OF EARLY SUCCESS.

9. ROBERTSON WAS CAREFUL TO STRESS THAT TRUDEAU HAD MADE NO DECISION IN PRINCIPLE ON GOING THE DECENTRALIZATION ROUTE. TO DO SO WOULD REQUIRE TRUDEAU TO TURN BACK ON SOME OF THE FEDERAL CONCEPTS HE HAS FOUGHT HARDEST FOR. BUT, ROBERTSON SAID, "WE MAY HAVE NO ALTERNATIVE IF WE WANT TO KEEP THE INITIATIVE."

10. MEANWHILE, DESPITE WHAT CABINET MINISTERS SAY, TRUDEAU MAY STILL BE EMITTING PUNITIVE SIGNALS ON THE QUEBEC ECONOMY. PAUL DESMARAIS, POWER CORPORATION CHAIRMAN, TRUDEAU'S MAIN BUSINESS SUPPORTER AND THE PREMIER FRENCH CANADIAN BUSINESSMAN, TELLS ME THAT TRUDEAU IS SUGGESTING THAT HE "MAKE IT AS TOUGH AS POSSIBLE" FOR QUEBEC. DESMARAIS, WHOSE COMPANIES EMPLOY 48,000 IN QUEBEC, THINKS TRUDEAU WANTS HIM TO LEAVE ORGANIZATIONAL STRUCTURES IN THE PROVINCE INTACT, BUT REPROGRAM TO THE REST OF CANADA AS MANY OPERATIONS AND INVESTMENTS AS POSSIBLE. IDEA WOULD BE TO SET UP SPURT OF PROVINCIAL UNEMPLOYMENT RATE FROM CURRENT 10 PERCENT TO 15 OR EVEN 20 NEXT YEAR. CANADIAN PACIFIC CHAIRMAN IAN SINCLAIR, WHO IS THE COUNTRY'S MOST INFLUENTIAL BUSINESSMAN AND WHO HAS ALSO CONTACTED TRUDEAU FOR GUIDANCE, TELLS ME HE DIDN'T GET A PULL-OUT SIGNAL BUT GOT NO ENCOURAGEMENT TO HANG IN.

11. TRUDEAU TOLD BOTH DESMARAIS AND SINCLAR DEC 17 THAT ONE OF THE OBSTACLES TO SETTING A STRATEGY ON QUEBEC

IS "UNCERTAINTY AS TO WHAT US BUSINESS AND THE US
GOVERNMENT WILL DO."

12. COMMENT: DEBATE OVER QUEBEC STRATEGY WILL NO
DOUBT GO ON. TRUDEAU'S INSTINCT (AND THAT OF MOST
FEDERALISTS) IS TO TAKE AN AGGRESSIVE, INTERVENTIONIST STAND.

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THAT WAS HIS IMMEDIATE REACTION NOVEMBER 15.
ANALYSIS PERSUADED HIM SUBSEQUENTLY TO COLL HAND IT.
BUT NONE OF THE FEDS HAVE BEEN COMFORTABLE WITH THE
PASSIVE STRATEGY. WITH OTTAWA WORRYING NOT ONLY ABOUT
THE REFERENDUM BUT HOW TO DEFEAT LEVESQUE AT THE POLLS
IN THE NEXT PROVINCIAL ELECTION, THE PRESSURE IS AGAIN
ON TO FIND SOME WAY TO PUT HIM ON THE DEFENSIVE EARLY
AND DECISIVELY.

13. TRUDEAU'S REMARK ON THE UNCERTAINTY OF US
REACTIONS WAS PROBABLY INTENDED TO REACH US, AS HE
KNEW THAT BOTH DESMARAIS AND SINCLAIR WOULD BE
SEEING ME.
ENDERS

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